

Message Text

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PAGE 01 STATE 157347
ORIGIN NEA-10

INFO OCT-01 EUR-12 ISO-00 ABF-01 EB-07 COME-00 AID-05
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SER/CM/ROD:FRANK MOULTON (INFO)
-----087194 071446Z /45

R 071414Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
INFO AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY MUSCAT

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E.O. 11652: N/A

TAGS: OGEN, OTRA, ETRD, EFIN, AGAO

SUBJECT: GAO STUDY ON EFFECTS ON U.S. TAX POLICY ON
AMERICAN CITIZENS OVERSEAS

REFERENCE: TEHRAN 5336

1. AS ADDRESSEES MAY BE AWARE, GAO PLANS CONDUCT SUBJECT
STUDY IN IRAN AND SAUDI ARABIA THIS SUMMER. PURPOSE OF
STUDY IS TO PROVIDE CONGRESS AN ASSESSMENT OF EFFECTS OF
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TAX REFORM ACT OF 1976. GAO STUDY, WHICH WILL BE CONDUCTED
IN APPROXIMATELY 12 COUNTRIES IN MIDDLE EAST, FAR EAST AND
LATIN AMERICA WILL ADDRESS TOPICS SUCH AS TAXATION OF
ALLOWANCES, EFFECTS OF SUCH TAXATION ON AMERICAN INDIVID-
UALS AND COMPANIES, U.S. BALANCE OF TRADE AND INFLUENCE OM
AMERICAN BUSINESS OVERSEAS. DEPARTMENT UNDERSTANDS THAT
STUDIES IN SAUDI ARABIA AND IRAN WILL LAST FOR ABOUT

THREE WEEKS EACH.

2. IN LIGHT OF FREQUENT AND INFORMATIVE REPORTING FROM GULF POSTS ON SUBJECT OF TAXATION OF U.S. CITIZENS IN THAT AREA, DEPARTMENT ASKED GAO TO EXTEND SCOPE OF STUDY TO SMALLER POSTS IN ARABIAN PENINSULA. GAO SAID THAT FULL THREE-WEEK STUDY IN SMALLER COUNTRIES WAS NOT REPEAT NOT

POSSIBLE BECAUSE OF SCHEDULING PROBLEMS, MOST IMPORTANT OF WHICH IS LATE SEPTEMBER DEADLINE FOR COMPLETION OF FULL GAO STUDY. HOWEVER, GAO FELT THAT SHORT VISITS TO GULF POSTS WOULD HAVE MERIT AND HAS AGREED THAT MR. CURTIS TURNBOW, WHO IS IN CHARGE OF GAO REVIEW, WILL VISIT KUWAIT, BAHRAIN AND ABU DHABI IN LATE JULY. ALTHOUGH VISIT SCHEDULED FOR ONLY ONE DAY IN EACH PLACE, MR. TURNBOW HOPES TO MEET WITH EMBOFFS AND SOME MEMBERS OF PRIVATE BUSINESS COMMUNITY AND ACQUIRE ADDITIONAL INFORMATION FOR GAO STUDY. TURNBOW AND ONE OTHER GAO OFFICIAL HAVE MET WITH NEA OFFICERS AND WERE GIVEN COPIES OF POSTS' REPORTING.

3. FOLLOWING IS ITINERARY FOR CURTIS TURNBOW. REQUEST AMEMBASSIES KUWAIT, MANAMA AND ABU DHABI MAKE HOTEL RESERVATIONS. GAO TEAM TRAVELING TO IRAN AND SAUDI ARABIA WILL TAKE CARE OF OTHER HOTEL ACCOMMODATIONS. ALL POSTS SHOULD FACILITATE ARRIVAL AND DEPARTURE AT AIRPORTS.
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DEPART FRANKFURT 7/17 AT 1215 VIA PANAM 2
ARRIVE TEHRAN 2035

DEPART TEHRAN 7/21 AT 0945 VIA KU 901
ARRIVE KUWAIT 1040

DEPART KUWAIT 7/23 AT 1815 VIA GF 228
ARRIVE ABU DHABI 2150

DEPART ABU DHABI 7/24 AT 2215 VIA GF 346
ARRIVE MANAMA 2300

DEPART BAHRAIN 7/25 AT 1945 VIA GF 113
ARRIVE DHAHRAN 2010

DEPART DHAHRAN 7/28 AT 0945 VIA KL 510
ARRIVE ATHENS 1355

DEPART ATHENS 7/29 AT 0950 VIA TW 847
ARRIVE WASHINGTON 1739

4. MORE INFORMATION ON TURNBOW VISIT WILL BE PASSED TO POSTS SEPTELS WHEN RECEIVED BY DEPARTMENT. IN INTERIM, SUGGEST ACTION ADDRESSEES PLAN TO SCHEDULE BRIEFING BY EMBASSY AND DISCUSSIONS WITH U.S. BUSINESSMEN. EMBASSY/ BUSINESS DISCUSSIONS WITH GAO SHOULD FOCUS ON ANSWERING AS MANY OF FOLLOWING QUESTIONS AS APPEAR RELEVANT TO LOCAL

SITUATION.

A) PROFILE OF RESIDENT U.S. BUSINESS COMMUNITY, NUMBER OF U.S. FIRMS BY INDUSTRY, NUMBER OF U.S. EMPLOYEES, PATTERN OF CHANGE -- INCREASING OR DECREASING.

B) PROBLEMS OF DOING BUSINESS, COMPETITION FROM THIRD UNCLASSIFIED

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COUNTRY COMPANIES.

C) INCENTIVES NEEDED TO RECRUIT U.S. EMPLOYEES.

D) HOUSING MARKET FOR FOREIGNERS.

E) FACTORS AFFECTING U.S. TRADE, IMPACT OF TAX LAW, RELATION OF TAX LAW TO OTHER FACTORS.

F) HAS CHANGE IN TAX LAW BEEN DISCUSSED WITH HOST GOVERNMENT? HOST GOVERNMENT REACTION.

G) PROTESTS FROM BUSINESS COMMUNITY AGAINST TAX CHANGE BROUGHT TO EMBASSY ATTENTION.

H) SIGNIFICANT TRADE OPPORTUNITIES LOST DUE, IN WHOLE OR PART, TO CHANGE IN TAX LAW. (AS MUCH DETAIL AS POSSIBLE WOULD BE APPRECIATED.)

I) INSTANCES OF COMPANIES WORKING ON FIXED PRICE CONTRACTS AND ABSORBING ADDITIONAL COSTS BECAUSE OF NEW TAX LAW. (DETAILS WHERE APPLICABLE.)

J) INSTANCES OF REPLACEMENT OF U.S. EMPLOYEES WITH LOCAL OR THIRD COUNTRY NATIONALS. (DETAILS WHERE APPLICABLE.) VANCE

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Message Attributes

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